



July 23, 2008

Subject: Maryland Environmental Trust (MET) Appraisal Policy and Procedures for
IRS Form 8283

Dear Conservation Easement Appraiser,

The Land Trust Alliance has recommended that land trusts develop certain policies and procedures to direct the processing of appraisal reports and IRS form 8283 for donated conservation easements. The Board of Trustees of the Maryland Environmental Trust (MET) has since developed a set of policies and procedures related to appraisals. As an appraiser who works extensively with property owners who donate conservation easements, we wanted to make you aware of these changes.

MET must now view and retain a copy of the appraisal that establishes the value claimed on IRS form 8283. We will still rely on the professional judgment of the appraiser to establish the value, but our staff will review the appraisal to be sure that the underlying assumptions of the appraisal (i.e. the number of development rights retained) are correct and reflect the actual easement language. Attached is a copy of MET's Appraisal Policies and Procedures.

Because MET staff must review the appraisal, we require that it be submitted, with IRS form 8283, no less than 10 working days before the tax return is due. We appreciate your cooperation as this will ensure that the tax return can be filed in a timely manner. In our efforts to reduce paper and streamline business processes, we also ask that you submit the appraisal report to MET electronically, if at all possible.

MET is implementing these changes largely in response to increased scrutiny by the IRS of tax returns that include deductions for the donation of conservation easements. IRS representatives have stated that they will be reviewing appraisals to be sure that they meet IRS regulations, including:

- The appraisal must include a full before and after determination of all properties owned by any "related party;"
- "If the donor (or a related person) reasonably can expect to receive financial or economic benefits greater than those that will inure to the general public as a result of the donation of a conservation easement, no deduction is allowable" (Section 1.170A-14(h)(3)(i));



- The easement must protect the conservation values specified in the IRS regulations, and no deduction is allowed for a situation that only results in a lesser number of houses; and
- No deductions for quid pro quo easements including any development or regulatory easements.

Lastly, MET has begun requesting that appraisers use our new “Conservation Easement Appraisal Report Summary” by either completing the form and returning it to MET with a copy of the appraisal report, or by incorporating the answers directly into the appraisal report. Use of this form is optional, but recommended.

Thank you for your cooperation. Donated conservation easements have protected tens of thousands of acres of valuable agricultural land, open space, and historic heritage in Maryland. We want to continue to work together to be sure that conservation easements remain a viable option for Maryland landowners. If you have any questions please call our office at 410-514-7900. Thank you.

Sincerely,

John Hutson
Acting Director

Attachments:

- MET Appraisal Policies and Procedures
- Land Trust Alliance Standard and Practices, Practices 10B and 10D
- Conservation Easement Appraisal Report Summary